

Outcomes Tied To Dollars: Performance Funding for Higher Education

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Performance Funding

Presentation Outline:

- Why are states adopting performance funding focused on student success?
- What approaches are states using?
- What are good practices for Missouri?

Performance Funding

Performance Funding is Broader than Higher Education

External Pressures are leading to performance funding

Is performance funding a fad or a reality?

Three External Pressures

- 1. Education equals economic development and Shifting Demographics**
- 2. Funding models are not linked to state goals**
- 3. Higher education – from a public good to a private good**

1. Education Linked with Economic Development

Many states are pressuring colleges and universities to increase participation and completion rates as a enhance state economic development which leads to tying state dollars to completion.

Completion Funding– Why? The Degree Matters

- More than 3/4 of students who start at a community college fail to earn a certificate or degree within three years. For Whites it's 23 percent compared with 15 percent of Hispanics and 11 percent for blacks
- U. S. adult learners drop out of college at a high rate
- Too few students transfer from two-year to four-year institutions

Completion Funding– Why? The Degree Matters

- The United States is falling behind other Countries
- America's 18 to 24 year-olds are less well-educated than 25-64 year-olds
- Graduation rates are low for 4-year institutions and have not improved over time (58 percent)

1. Economic Development and Demographics

- a) Rapidly growing underrepresented groups
- b) Many are not prepared for college

1. Economic Development and Demographics – An Example

- Young black men fall behind from their earliest years in school.
- By the fourth grade, only 12 percent of black male students read at or above grade level while 38 percent of white males do.
- By eighth grade, it falls to 9 percent for black males, 33 percent for whites.

Source: Council of the Great City Schools, *A Call for Change, The Social and Educational Factors Contributing to the Outcomes of Black Males in Urban Schools*, 2010

Completion Funding – Promoted by Policymakers

- Foundations
- Federal Leadership
- State Leadership
- National Governor's Association
- National Conference of State Legislators

2. Outcomes/Productivity/ Funding Models

Questions about funding models for higher education:

Incentives for success?

Incentives for innovation?

Incentives for Improving productivity?

2. Productivity – University of Maryland Example

- Increase faculty workload by 10%
- Limit Credit Hours for degrees to 120
- Administrative savings – energy/
healthcare
 - Students take 12 hours in non-
traditional setting
 - Tuition Freezes

Bill Gates says

Where are the greatest opportunities and why?

- **Increase and Reward Completion**
- **Educate and Train in Affordable Ways**
 - **Technology**
 - **Use best teachers**
 - **Maintain Quality**

Focus on measurement

Bill Gates says

“We need to measure what matters. We need to know what the students learn, and what jobs they get. We need to know why students of some community colleges do better in the job market than others. Why minority students at some colleges take longer to earn a degree than similar students elsewhere. We don’t know the answers. We’re not even asking the questions.”

Bill Gates, 2009

3. From Public Good to Private Good

- a) Change in who pays for higher education
- b) Tuition is a critical source of revenue

State Fiscal Outlook?

- **Austere state budgets for at least the next several years**
- **States will look for creative financing and revenue opportunities to meet these spending demands**
- **Opportunities for reform, restructuring, examining priorities**

Scott Pattison, NASBO

What the Public Thinks About Quality

(*Squeeze Play*, 2010)

Which comes closer to your view?	2009	2007
If colleges cut budgets, quality will be hurt	40%	40%
Colleges could spend less and still protect quality	54%	56%

Performance Funding History

Performance funding has been tried in several states – with success in some and abandoned in others

- Missouri was a pioneer in performance funding in the 1990s

Performance Funding 2.0 focuses on course and degree completion

Performance Funding History

Why are some states successful with performance funding and others not?

Key factors for success:

- 1) Educationally sound
- 2) Financially feasible
- 3) Politically saleable

Performance Funding History

Tennessee's long-lasting performance funding

Key factors for success:

- 1) Planning and piloting before implementation
- 2) Metrics are adopted for five-year blocks
- 3) Incentive funds are add-ons
- 4) Focused purpose and principles

Performance Funding 2.0

Some examples:

- Ohio (initiated in 2010 fiscal year)
- Indiana (initiated in 2010 fiscal year)
- Washington Community Technical Colleges
- Tennessee (2010 Legislation)
- Louisiana (2010 Legislation)
- Oklahoma, Pennsylvania, Texas
- Illinois, Michigan, Arizona, Kentucky (2011)

Ohio

- Ohio had a long history of enrollment/cost formulas
- The first of the four “Challenges” began in the 1980s (research)
- In late 1990s, Ohio adopted three additional challenges

Performance Funding – Ohio's Challenges

- **Research** - Increase third-party sponsored research, Public university main campuses; some private universities (\$10 - \$12 million per year)
- **Access** - Lower tuition to increase enrollments at access campuses, Public community colleges and selected 4-year access campuses (\$65 million per year)

Performance Funding – Ohio's Challenges

- **Success** - Decrease time to UG 4 –year degrees; improve degree achievement for at risk students, Public university main campuses (\$55 million per year)
- **Jobs** - Increase non-credit job-related training, Public two-year campuses (\$10 million per year)

Formula Funding - Ohio

- Total funding for the Challenges equaled about 10% of total state operating subsidy for campuses by late 1990s
- The past successful implementation of performance funding helped set the stage for significant changes in FY 2010 and FY 2011

Performance Funding 2.0 - Ohio

In 2009-10, Ohio shifted to funding:

- Degrees (Success points for 2-Year)
- Course Completions
- Extra incentives for at-risk students
- Goals aligned with *Strategic Plan*
- Additional changes are planned
- Ohio uses a stop-loss approach
- Ohio has also minimized fee increases

Indiana Performance Funding 2.0

In 2009-10, Indiana modified its funding to include—

- Degrees (and for low-income)
- Course Completions
- On-time graduation
- Transfers

Performance Funding 2.0 – Washington, Design Principles

Washington Community/technical colleges –

- The Board Established a Student Success Goal
- Guided by system advisory group
- Planning phase involved Community College Research Center (CCRC) and other experts
- Recognize students in all mission areas (including adult basic education and developmental education), reflect diverse communities served by colleges

Performance Funding 2.0 - Washington

- Measures are simple, understandable, and relevant to institution, the student and policy makers
- Measures can be influenced by the colleges on timely basis
- Colleges and the system can use the points as evidence for promising practices and to support and develop strategies for improving achievement

Performance Funding 2.0 – Washington, Achievement Measures

Measures are critical benchmarks that move students forward towards degrees and certificates

Four categories of measures:

1. Achievement points that build towards college-level skills

- Significant adult literacy or English language proficiency test score gains
- Earning GED or high school diploma
- Passing pre-college writing or math courses

Performance Funding 2.0 – Washington, Achievement Measures

2. Achievement points that build to Tipping Point and beyond

- Earning first 15 college level credits
- Earning first 30 college level credits

3. Earning college level credits in math

- Computation requirements for applied degrees
- Quantitative reasoning requirements for transfer degrees

Performance Funding 2.0 – Washington, Achievement Measures

4. Completions

- Certificates
- Associate degrees (technical and transfer)
- Apprenticeship training

Performance Funding 2.0 - Washington

- First performance year was 2009.
- Each college was measured for total point gain compared to their baseline year- 2007.
- Subsequent improvement will measure total point gain compared to highest year.

Performance Funding 2.0 - Tennessee

- Current Formula is primarily enrollment based with component for peers
- Tennessee implemented performance funding in the 1980's focusing on undergraduate education – institutions could earn up to 5.45 percent based on performance
- New performance funding formula is to be implemented in 2011-12 (and phased-in)

Performance Funding 2.0 - Tennessee

Complete College Tennessee Act of 2010,
comprehensive legislation including:

- Outcomes-based funding model, including end of term enrollment, student retention, timely progress toward degree completion, etc.
- Transfer/articulation – common course numbers

Tennessee Current Proposal

- Identify an outcome (degree attainment, transfer activity, student retention, etc.)
- Award “points”
- Weight the outcome based on an institution’s mission
- Use Average Faculty Salary based on Mission
- Add fixed costs (m/o, utilities, etc.)
- Add Performance Funding

Tennessee University Factors

- Students accumulating 24 hours
- Students accumulating 48 hours
- Students accumulating 72 hours
- Bachelors and Associate Degrees
- Masters/Ed Specialists Degrees
- Doctoral/Law Degrees
- Research and Service
- Transfers Out with 12 Hours
- Degrees per 100 FTE
- Six-year Graduation Rate

Tennessee - Community College Factors

- Students accumulating 12 hours
- Students accumulating 24 hours
- Students accumulating 36 hours
- Dual Enrollment
- Associate Degrees
- Certificates
- Job Placement
- Remedial and Developmental Success
- Transfers Out with 12 Hours
- Workforce Training (contact hours)
- Awards per FTE

Louisiana

State funding reductions, more anticipated. For 2010-11:

- Uses a Cost-based formula approach
- Adopted the GRAD Act that establishes graduation rate goals for public institutions
- When institutions meet these goals they are granted more fiscal autonomy
- Tied 25% of state funds to performance funding 2.0

Performance Funding 2.0 - Louisiana

- 25% of funding in 2010-11 tied to performance compared with 3% in formula adopted in 2009

- 75% tied to cost formula adopted for 2010-11

Performance Funding 2.0 - Louisiana

Performance aligned with Project Grad:

1. Student Access and Success

- Graduates at All Levels**
- Graduates - Students Ages 25 and Older**
- Graduates - Underrepresented Minorities**
- Graduates - Low-Income Students**

Performance Funding 2.0 - Louisiana

2. Articulation and Transfer

- With an associate degree**
- With 30 hours or more**

3. Competitiveness/Workforce

- Graduates in STEM/Health**
- Research**
- Workforce**

Performance Funding 2.0 – Pennsylvania, 2011 - 2017

- 5 Mandatory Indicators plus 5 optional
- Mandatory
 - a. Student success – degrees conferred & closing the achievement gap
 - b. Access – Closing the Access gap and faculty diversity
 - c. Stewardship – private support, total dollars raised

Performance Funding 2.0 – Pennsylvania, 2011 - 2017

- Optional

- a. Student success – Deep Learning Scale Results; Senior Survey (NSSE); Student Persistence, Value-added; STEM Degree Recipients

- b. Access – Faculty Career Advancement; Employment Diversity; Student Experience with Diversity; Student Diversity

- c. Stewardship – Facilities Investment; Administrative Expenditures % Education Cost; Faculty Productivity; Employee Productivity

Performance Funding 2.0 – Pennsylvania, 2011 - 2017

■ Mechanics

- a. 2.4 % of general appropriations
- b. Each university may earn 10 points
- c. Points are weighted by base appropriation
- d. Weighted points are divided into total performance funding pool to create a dollar per point value.

Performance Funding 2.0 – Arizona Universities, Proposed FY 2013

- Base + Adjustments to Base (COL, benefits, utilities, new campuses) + Performance Funding
- Performance Funding – 3 components
 - a) Increases in numbers of degrees, weighted by level and costs
 - b) Increased in completed student credit hours, weighted by cost and level
 - c) Increases in outside funding for research/public service
- Use of 3-year average

Performance Funding 2.0 – Kentucky Universities, Proposed FY 2013

- Five Student Success Metrics:
 - Increases in Degrees Conferred
 - Graduation Rates
 - Achievement Gaps
 - Underprepared
 - Transfers from Community Colleges
- Goals established for each institution to earn up to one point in each category
- Funds added to the base and are recurring

Performance Funding 2.0 – Other States

- Oklahoma
- Texas
- Illinois Legislation
- Michigan Legislation

Does Performance Funding Make a Difference?

- Tennessee
- Florida
- Ohio

Pros and Cons of Performance Funding

Advantages	Disadvantages
<p>Align state goals with results</p> <ul style="list-style-type: none">- Institutions- Students <p>Focus on Quality</p>	<p>Difficult to Design and take into account mission</p> <p>Could it lead to grade inflation?</p>

Questions/Concerns from Institutions

- Performance funding or support of basic operations – which comes first?
- How much money should be tied to performance?
- What about the principle of putting money where the students are?

Questions/Concerns from Institutions

- Metrics are imprecise, and do not represent entire mission
- What if performance funding is provided one year, but not the next?
- Should performance be measured through absolute norms or for improving?

Questions/Concerns from Institutions

What are Missouri's concerns/questions/fears about performance funding?

What Are Good Practices for Missouri?

- Focus on Key Issues and Establish a Clearly Stated Purpose with Simple, Measurable Benchmarks
- Develop Strong Guiding Principles and Consider principles that recognize that state support might fluctuate from year-to-year

What Are Good Practices for Missouri?

- Fund with New Dollars
- Start with a Relatively Small % of Funds
- Once Performance Funds are Earned, Institutions should have flexibility in spending those funds
- Reward institutions for reaching a benchmark and/or improvement

What Are Good Practices for Missouri?

- Understand What Factors Affect Results
- Involve Higher Education in Goal Setting and Include Goals for At-risk Students
- Recognize that One Size Does Not Fit All
- Analyze Impact on Institutions
- Promote Collaboration
- Have a transition strategy

Checklist for a Viable Performance Funding Approach

- 1) Does it link to Missouri's *Strategic Plan for Higher Education*?
- 2) Does it recognize differences in institutional mission and students served?
- 3) Does it provide incentives for success of at-risk students?
- 4) Does it encourages improvement for all institutions?

Checklist for a Viable Performance Funding Approach

- 5) Does it recognize Missouri's needs?
- 6) Does it have the commitment of and credibility with political and higher education leaders?
- 7) Is it supported by institutions who "speak with one voice"?

Checklist for a Viable Performance Funding Approach

- 8) Does it promote access, success, and quality?
- 9) Does it rely on valid, consistent information?
- 10) Does it includes an implementation or transition strategy?